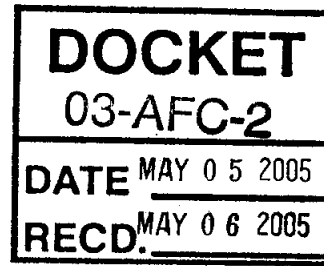


May 5, 2005

Dennis Jang
Air Quality Engineer
Permit Services Division
Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109



Re: Emission Reduction Credits to be Surrendered for Los Esteros Critical Energy Facility, BAAQMD Application 8859

Dear Mr. Jang:

In our April 4, 2005 comments on the revised preliminary determination of compliance (PDOC) for the proposed conversion of the Los Esteros Critical Energy Facility (LECEF) from simple cycle to combined cycle operation, we included a table showing the emission reduction credits (ERCs) to be surrendered for this project. Since that letter was submitted, LECEF has reevaluated the available ERCs and proposes to revise the list of ERCs for the project. Further, it has been determined that Certificate 822, which was listed as a NO_x certificate, is in fact a POC certificate, so that has been eliminated from the list. Finally, we are including in this list the SO_x ERCs to be surrendered for PM₁₀ mitigation as required by the CEC.

The revised ERCs to be used for the project are as follows:

Emission Reduction Credits to be used for the LECEF (Phase 2)						
Current Owner	Cert. No.	Pollutant Quantity (tpy)			Origin, Location	Date Banked
		POC	NO _x	SO _x ¹		
Calpine	856	26.522	0	0	Myers Container, San Pablo	4/23/02
Calpine	724	0	7.100	0	Cardinal Cogen, Palo Alto	3/13/96
Calpine	896	0	304.594 ²	90.000	PG&E Potrero Power Plant, San Francisco	9/30/85
Total Offsets Available		26.522	311.694	90.000		
Offset Obligation		7.300	27.945	13.730		
Balance (to be refunded) ³		19.222	283.749	76.270		

Notes:

1. SO_x ERCs to be surrendered as mitigation for PM₁₀, as required by CEC.
2. Portion of Cert. 896 has been obligated through option sale; quantities shown here reflect unobligated portion, which is less than current face value of certificate.
3. POC to be refunded from Certificate 856; NO_x and SO_x to be refunded from Certificate 896.

If you have any questions regarding the ERCs to be surrendered, or any other aspect of the project, please do not hesitate to call.

Sincerely,

Nancy Matthews
for Gary Rubenstein

cc: Rick Tetzloff, Calpine
Barbara McBride, Calpine
Dana Petrin, Calpine
Bob McCaffrey, Calpine
Steve DeYoung
Doug Davy, CH2M Hill
Gregg Wheatland, Ellison, Schneider & Harris
Bob Worl, California Energy Commission
Gabriel Taylor, California Energy Commission
Natasha Nelson, California Energy Commission